



Financial Statements

FOR THE FINANCIAL YEAR ENDED

30 June 2017

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

General Information

Legal form of entity	Local Municipality
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms T Hadebe
Speaker	Mr T W Ngubane
Chief Whip	Mr TB Njapha
Member of the Executive Committee	Mrs A N Khanyile
	Mr L S Madinane
	Mr A Mchunu
	Ms S Z P Msibi
	Mr S Simelane
	Mr M R Suddaby
	Mr A S D Warasally
Accounting Officer	Ms S S Ngiba (Acting)
Chief Financial Officer	Mr M Hloba
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 E-mail: mm@alfredduma.gov.za
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General of South Africa

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CSC	Community Service Centre
DOHS	Department of Human Settlements
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDTG	Municipal Demarcation Transition Grant
MFMA	Municipal Finance Management Act
NER	National Electricity Regulator
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
VAT	Value Added Taxation

Alfred Duma Local Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Alfred Duma Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 1 to 55, which have been prepared on the going concern basis, and were approved by the Accounting Officer.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Accounting Officer
Ms SS Ngiba (Acting)

31 August 2017

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Statement of Financial Position

		30 June 2017
	Note(s)	R
Assets		
Current Assets		
Inventories	15	38 949 257
Trade and Other Receivables from Exchange Transactions	16	30 619 826
Other Receivables from Non-Exchange Transactions	17	105 637 995
VAT Receivable	8	16 435 376
Cash and Cash Equivalents	19	262 207 859
		453 850 312
Non-Current Assets		
Property, Plant and Equipment	9	1 501 204 573
Intangible Assets	10	827 735
Investment Property	11	201 880 806
Heritage Assets	12	17 051 512
Non-Current Receivables from Exchange Transactions	14	15 414
		1 720 980 041
Total Assets		2 174 830 353
Current Liabilities		
Consumer Deposits	3	10 678 463
Provisions	4	1 298 695
Retirement Benefit Obligations	5	2 522 421
Trade and Other Payables from Exchange Transactions	6	191 950 932
Unspent Conditional Grants and Receipts	7	25 110 354
Current Portion of Long-term Loans	2	534 661
		232 095 526
Non-Current Liabilities		
Long-term Loans	2	6 747 784
Provisions	4	53 254 095
Retirement Benefit Obligations	5	27 374 592
		87 376 472
Total Liabilities		319 471 998
Net Assets		1 855 358 355
Net Assets		
Housing Development Fund	1	28 274 142
Accumulated Surplus		1 827 084 213
Total Net Assets		1 855 358 355

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Statement of Financial Performance

		30 June 2017
	Note(s)	R
Revenue		
Revenue from non-exchange transactions		
Property Rates	20	121 762 227
Property Rates - Penalties / Interest		12 746 779
Fines		9 359 689
Licences and Permits		4 944 826
Government Grants and Subsidies	22	297 538 072
Revenue from exchange transactions		
Service Charges	21	298 088 023
Rental of facilities and equipment		2 374 644
Interest Earned - External Investments and Other		15 029 028
Interest Earned - Outstanding Receivables		3 038 004
Other Income	33	6 398 831
Total Revenue		771 280 124
Expenditure		
Employee Related Costs	23	212 482 749
Remuneration of Councillors	24	19 752 349
Bad Debts		49 400 365
Depreciation and Amortisation Expense		137 984 643
Finance Costs	25	499 466
Bulk Purchases	26	178 560 755
Contracted Services	27	27 684 374
General Expenses	28	132 438 747
Total Expenditure		758 803 448
Other Gains / Losses		
Gain / (Loss) on sale/disposal of assets		-2 164 202
Gain / (Loss) on fair value adjustment		76 734 628
Inventories: Write-down to net realisable value		-605 454
(Impairment Loss) / Reversal of impairment loss		-30 384 768
Surplus / (Deficit) for the period		56 056 880

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Statement of Changes in Net Assets

	Housing Development Fund R	Accumulated Surplus R	Total Net Assets R
Opening balance - 10 August 2016	26 681 074	1 506 068 126	1 532 749 200
Adjustments to Opening Balance			
- Trade Payables - Payments to Service Providers and Other	-	-1 654 245	-1 654 245
- Other Receivables from Non-Exchange Transactions	-	-298 259	-298 259
- Inventories	-	-189 047	-189 047
- Investment Property	-	45 058 700	45 058 700
- Property, Plant & Equipment - Infrastructure	-	-70 950 344	-70 950 344
- Property, Plant & Equipment - Community	-	25 256 788	25 256 788
- Property, Plant & Equipment - Other	-	66 664 835	66 664 835
- Property, Plant & Equipment - Land	-	198 298 000	198 298 000
- Intangible Assets	-	9 970	9 970
- Heritage Assets	-	1 749 000	1 749 000
Opening Balance - Restated	26 681 074	1 770 013 525	1 796 694 599
Surplus for the year	-	56 056 880	56 056 880
Other Transfers to Internal Funds	-	-	-
Transfer to Self-Insurance Fund	-	1 013 808	1 013 808
Transfer to Housing Development Fund	1 593 068	-	1 593 068
Balance at 30 June 2017	28 274 142	1 827 084 213	1 855 358 355

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Cash Flow Statement

		30 June 2017
	Note(s)	R
Cash flows from operating activities		
Receipts		
Sale of goods and services		402 313 991
Grants		309 043 920
Interest received		15 029 028
Other receipts		6 398 831
		<u>732 785 769</u>
Payments		
Employee costs		232 235 098
Suppliers		270 943 914
Interest paid		499 466
Other payments		12 930 209
		<u>516 608 687</u>
Net cash flows from operating activities	29	<u>216 177 082</u>
Cash flows from investing activities		
Purchase of property, plant and equipment		185 537 874
Purchase of investment property		-
Purchase of intangible assets		792 422
Proceeds on sale of assets		802 632
Net cash flows from investing activities		<u>187 132 927</u>
Cash flows from financing activities		
New loans raised/(repaid)		-453 646
Finance lease raised/(repaid)		-
Net cash flows from financing activities		<u>-453 646</u>
Net increase / (decrease) in cash and cash equivalents		28 590 509
Cash and cash equivalents at the beginning of the period		<u>233 617 350</u>
Cash and cash equivalents at the end of the period	19	<u>262 207 859</u>

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Statement of Comparison of Budget with Actual Information

	Budget 10 August 2016 to 30 June 2017 R	Budget Adjustments (i.t.o. s28 & s31 of the MFMA) R	Virements (i.t.o. Council Approved Policy) R	Approved Final Budget R	Actual 10 August 2016 to 30 June 2017 R	Variance Actual vs Final Budget R	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
Financial Performance								
Property Rates	128 010 104	5 690 317	-	133 700 421	121 762 227	(11 938 194)	95.12%	91.07%
Property Rates - Penalties / Interest	5 058 570	-	-	5 058 570	12 746 779	7 688 209	251.98%	251.98%
Services Charges	294 721 080	5 711 645	-	300 432 725	298 088 023	(2 344 702)	101.14%	99.22%
Rental of Facilities and Equipment	2 380 957	-	-	2 380 957	2 374 644	(6 313)	99.73%	99.73%
Interest Earned - External Investments	7 493 750	6 824 382	-	14 318 132	15 029 028	710 896	200.55%	104.97%
Interest Earned - Outstanding Receivables	2 216 624	296 254	-	2 512 878	3 038 004	525 126	137.06%	120.90%
Fines	9 629 768	-	-	9 629 768	9 359 689	(270 079)	97.20%	97.20%
Licences and Permits	6 266 326	(501 212)	-	5 765 114	4 944 826	(820 288)	78.91%	85.77%
Transfers and Grants Recognised - Operational	117 167 183	80 902 783	-	198 069 966	170 206 555	(27 863 411)	145.27%	85.93%
Other Income and Profit on Fair Value Adjustments	4 984 714	(1 662 706)	-	3 322 006	83 133 459	79 811 453	1667.77%	2502.51%
Total Revenue (Excl. Capital Transfers & Contributions)	577 929 076	97 261 461	-	675 190 537	720 683 234	45 492 697	124.70%	106.74%
Employee Related Costs	203 468 296	19 718 536	-	223 186 832	212 482 749	(10 704 083)	104.43%	95.20%
Remuneration of Councillors	15 738 604	5 301 494	-	21 040 098	19 752 349	(1 287 749)	125.50%	93.88%
Bad Debts	21 527 500	11 796 767	-	33 324 267	49 400 365	16 076 097	229.48%	148.24%
Depreciation and Amortisation Expense	60 889 316	9 102 287	-	69 991 603	137 984 643	67 993 041	226.62%	197.14%
Finance Costs	355 681	199 875	-	555 556	499 466	(56 090)	140.43%	89.90%
Bulk Purchases	180 791 579	4 089 696	-	184 881 275	178 560 755	(6 320 521)	98.77%	96.58%
Contracted Services	-	23 428 107	-	23 428 107	27 684 374	4 256 267	0.00%	118.17%
Impairment Loss	1 765 176	-	-	1 765 176	30 384 768	28 619 592	1721.34%	1721.34%
Loss on Disposal of PPE	-	-	-	-	2 164 202	2 164 202	0.00%	0.00%
Inventories: Write-down to Net Realisable Value	-	-	-	-	605 454	605 454	0.00%	0.00%
Other Expenditure	123 733 677	5 294 688	-	129 028 365	132 438 747	3 410 382	107.04%	102.64%
Total Expenditure	608 269 829	78 931 451	-	687 201 280	791 957 872	104 756 592	130.20%	115.24%
Surplus/(Deficit)	(30 340 753)	18 330 011	-	(12 040 742)	(71 274 637)	(59 263 895)	234.91%	593.42%
Transfers Recognised - Capital	86 150 275	45 056 125	-	131 206 400	127 331 517	(3 874 883)	147.80%	97.05%
Contributions Recognised - Capital	-	-	-	-	-	-	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	55 809 522	63 386 136	-	119 195 658	56 056 880	(63 138 778)	100.44%	47.03%
Capital Expenditure and Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	86 150 275	45 056 125	-	131 206 400	127 331 517	(3 874 883)	147.80%	97.05%
Public Contributions and Donations	-	-	-	-	-	-	0.00%	0.00%
Borrowing	-	-	-	-	-	-	0.00%	0.00%
Internally Generated Funds	26 659 308	79 790 431	-	106 449 739	58 206 357	(48 243 382)	218.33%	54.68%
Total Sources of Capital Funds	112 809 583	124 846 556	-	237 656 139	185 537 874	(52 118 265)	164.47%	78.07%

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Accounting Policies

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The Alfred Duma Local Municipality was established, in terms of Provincial Notice 141 of 2016 issued in the Provincial Gazette, Extraordinary, 29 July 2016, by the Department of Co-operative Governance and Traditional Affairs, Section 12 of Local Government, from the merger of the previous Indaka Local Municipality and the Emnambithi / Ladysmith Municipality which were disestablished as at 9 August 2016.

The financial statements are prepared from the date of establishment and transactions are accounted for accordingly to disclose the operations of the newly formed Alfred Duma Local Municipality for the period 10 August 2016 to 30 June 2017.

The merger of the two municipalities is accounted for in accordance with GRAP 107. The combining entities derecognise their assets and liabilities at their carrying amounts at the date of the merger.

Any difference between the assets and liabilities derecognised and the consideration received, if any, is recognised in accumulated surplus/deficit.

1.2 PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Accounting Policies

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of Comparison of Budget with Actual Information.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, with the opening balances have been restated accordingly.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Accounting Policies

The annual depreciation rates are based on the following estimated average asset lives:-

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
Infrastructure		Other	
Roads and Paving	5 - 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Housing	30	Office Equipment	5 – 7
Stormwater	25 – 120	Furniture and Fittings	10
		Watercraft	15
Community		Bins and Containers	5 – 10
Buildings	10 – 50	Specialised Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Other Items of Plant and Equipment	5 – 15
Security	3 – 5	Landfill sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Alfred Duma Local Municipality

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Accounting Policies

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Accounting Policies

- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 years

7. HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

7.1 INITIAL RECOGNITION

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition.

7.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

7.3 DEPRECIATION AND IMPAIRMENT

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

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7.4 DERECOGNITION

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

8. IMPAIRMENT OF ASSETS

8.1 CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

8.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

9. INVENTORIES

9.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

10. FINANCIAL INSTRUMENTS

10.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

10.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

10.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

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financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

10.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

10.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for

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as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15. LEASES

15.1 Finance Leases – The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

15.2 Operating Leases – The Municipality as Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

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15.3 Operating Leases – The Municipality as Lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

16. REVENUE

16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

16.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and the revenue is only recognized in the Statement of Financial Performance once payments to the Implementing Agents are made upon handover of the houses to the beneficiaries.

17. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset

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acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

19. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

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The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 5 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 9 and 15 respectively.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. COMMITMENTS

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

22. BUDGET INFORMATION

The budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies used for the preparation of these financial statements. The amounts are scheduled as separate additional columns in the Statement of Comparison of Budget with Actual Information. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

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23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

Notes to the Financial Statements

30 June 2017

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1. Housing Development Fund

Unappropriated Surplus/(Deficit)	(18 850 360)
Loans extinguished by Government on 1 April 1998	47 124 502
	<u>28 274 142</u>

The Housing Operating Account is represented by the following assets and liabilities:

Housing selling scheme loans	2 856 085
Bank and cash	25 418 058
	<u>28 274 142</u>

2. Long-term Loans

Loans	7 282 446
Less : Current portion transferred to current liabilities	(534 661)
	<u>6 747 784</u>

Refer to Appendix A for more detail on long-term loans

3. Consumer Deposits

Electricity	9 997 798
Refuse	680 665
	<u>10 678 463</u>

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 6 394 855.

4. Provisions

Non-Current

4.1 Environmental Rehabilitation

Ladysmith Waste Disposal Site

Balance at beginning of period	30 072 155
Contribution to provision	6 176 739
	<u>36 248 893</u>

Indaka Waste Disposal Site

Balance at beginning of period	1 799 373
Contribution to provision	7 339 803
	<u>9 139 176</u>
	<u>45 388 070</u>

Provision for reclamation of refuse landfill sites. In terms of the licencing of the refuse landfill sites, council will incur rehabilitation estimation costs of R 45 388 070, calculated as at 30 June 2017, to restore the sites at the end of their respective useful life.

The calculation is based on the total actual area of the Landfill sites which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

Current

4.2 Performance Bonuses

Balance at beginning of period	529 650
Contribution to provision	714 010
Expenditure incurred	(543 519)
	<u>700 141</u>

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council.

Notes to the Financial Statements

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4.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 10 years to 45 years of service, inclusive. As at 30 June 2017, 797 employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets	
Accrued Liability	8 464 580
Unfunded Accrued Liability	8 464 580
Unrecognised Transitional Liability	-
Unrecognised Actuarial Gains/(Losses)	-
Unrecognised Past Service Cost	-
Net Liability in Statement of Financial Position	8 464 580

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	8 576 187
Current service cost	898 363
Interest cost	685 432
Actual benefits paid	(1 284 941)
Actuarial loss / (gain)	(410 461)
Closing Balance	8 464 580
 Current Portion of Liability	 598 554
Non-Current Portion of Liability	7 866 026
	8 464 580

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	898 363
Interest cost	685 432
Actuarial loss / (gain) recognised	(410 461)
Total included in Statement of Financial Performance	1 173 334

Statistical information used to calculate the valuation is based on 30 June 2017 assumptions.

Key Financial Assumptions Used

Assumption	Value p.a.
Discount Rate	8.44%
General Salary Inflation (long-term)	6.26%
Net Effective discount rate	2.05%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.91 years.

Key Demographic Assumptions Used

Average retirement age	60
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	12%	18%
40	8%	10%
50	4%	4%
55	2%	2%

Notes to the Financial Statements

30 June 2017
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4.3 Long Service Awards (Continued)

Sensitivity Analysis

Assumption	Change	Liability	% Change
Central assumptions		8,465	
General salary inflation	+1%	8,996	6%
	-1%	7,980	-6%
Discount Rate	+1%	7,954	-6%
	-1%	9,036	7%
Average retirement age	-2 yrs	7,489	-12%
	+2 yrs	9,628	14%
Withdrawal rates	-50%	10,558	25%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R 872 900	R 689 700	R 1 562 600	
General salary inflation	+1%	R 946 600	R 734 600	R 1 681 200	8%
	-1%	R 807 100	R 648 900	R 1 456 000	-7%
Discount Rate	+1%	R 811 900	R 723 300	R 1 535 200	-2%
	-1%	R 942 300	R 650 500	R 1 592 800	2%
Average retirement age	-2 yrs	R 786 100	R 607 400	R 1 393 500	-11%
	+2 yrs	R 963 400	R 786 900	R 1 750 300	12%
Withdrawal rates	-50%	R 1 229 400	R 866 400	R 2 095 800	34%

Trend Information

	Year Ending 30/06/2017	Year Ending 30/06/2018	Year Ending 30/06/2019
Opening Accrued Liability	R 8 576 187	R 8 464 580	R 9 428 684
Current-service Cost	R 898 363	R 872 937	R 946 619
Interest Cost	R 685 432	R 689 721	R 744 984
Benefit Vestings	R -1 284 941	R -598 554	R -1 230 137
Total Annual Expense	R 298 854	R 964 104	R 461 466
Actuarial Loss / (Gain)	R -410 461		
Closing Accrued Liability	R 8 464 580	R 9 428 684	R 9 890 150

The Municipality expects to pay R 598 554 for long-service leave benefits the 2017/2018 financial year.

The valuation as at 30 June 2017 was performed by ARCH Actuarial Consulting CC.
ARCH Actuarial Consulting CC is not affiliated to the Municipality.
The full actuarial valuation report as at 30 June 2017 is available on request.

Notes to the Financial Statements

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5. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

The subsidy will be 50% for those in-service members who were aged between 50 and 55 on 1 January 2005. Other in-service members do not qualify for the post-employment subsidy.

If an employee chooses to take early retirement, he or she must be at least 55 years of age at the time of retirement and have at least 25 continuous years' service, provided they are eligible as at 1 January 2005, as per above.

The total in-service employees belonging to Medical Schemes as at 30 June 2017 were 4 and the total continuation employees receiving the medical benefit as at 30 June 2017 were 67. This is estimated to be the same as at the reporting date of 30 June 2017.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	29 897 013
Fair value of plan assets	-
Unrecognised Past Service cost	-
Unrecognised actuarial (gains)/losses	-
Liability Recognised in Balance Sheet	<u>29 897 013</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	31 309 920
Current service cost	-
Interest cost	2 721 125
Actual benefits paid	(2 193 658)
Actuarial loss / (gain)	(1 940 374)
Closing Balance	<u>29 897 013</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-
Interest cost	2 721 125
Actuarial loss / (gain) recognised	(1 940 374)
Total included in Statement of Financial Performance	<u>780 751</u>

Current Portion of Liability	2 522 421
Non-Current Portion of Liability	<u>27 374 592</u>
	<u>29 897 013</u>

Statistical information used to calculate the valuation is based on 30 June 2017 assumptions.

Key Financial Assumptions Used

Assumption	Value p.a.
Discount Rate	8.94%
Health care cost inflation rate	7.27%
Net discount rate - health care cost inflation	1.56%
Maximum subsidy inflation rate	5.08%
Net discount rate - maximum subsidy inflation	3.68%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

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5. Retirement Benefit Obligations (Continued)

Key Demographic Assumptions Used

Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55	1%	1%

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		2.530	27.367	29.897	
Health care inflation	+1%	2.662	28.591	31.253	5%
	-1%	2.359	25.881	28.241	-6%
Discount Rate	+1%	2.291	25.248	27.538	-8%
	-1%	2.813	29.830	32.643	9%
Post-retirement mortality	-1 yr	2.604	28.412	31.015	4%
Continuation of membership at retirement	-10%	2.014	27.367	29.381	-2%

Sensitivity Analysis on Interest Costs for the year ending 30 June 2018

Assumption	Change	Interest Cost	% Change
Central Assumptions		R 2 563 800	
Health care inflation	+1%	R 2 684 500	5%
	-1%	R 2 416 200	-6%
Discount rate	+1%	R 2 616 200	2%
	-1%	R 2 495 100	-3%
Post-retirement mortality	-1 yr	R 2 663 800	4%
Continuation of membership retirement	-10%	R 2 517 700	2%

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening Accrued Liability	R 31 500 717	R 29 897 013	R 29 938 385
Current-service Cost	R -	R -	R -
Interest Cost	R 2 721 125	R 2 563 793	R 2 559 464
Expected Contributions (benefits paid)	R -2 384 455	R -2 522 421	R -2 705 876
Total Annual Expense	R 336 670	R 41 372	R -146 412
Actuarial Loss / (Gain)	R -1 940 374		
Closing Accrued Liability	R 29 897 013	R 29 938 385	R 29 791 973

The Municipality expects to pay R 2 522 421 to its post-retirement medical aid plan in the 2017/2018 financial year.

The valuation as at 30 June 2017 was performed by ARCH Actuarial Consulting CC.

ARCH Actuarial Consulting CC is not affiliated to the Municipality.

The full actuarial valuation report as at 30 June 2017 is available on request.

Notes to the Financial Statements

30 June 2017
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6. Trade and Other Payables from Exchange Transactions

Trade Creditors	109 161 929
Retentions	30 050 404
Unidentified Deposits in Primary Bank Account	4 783 252
Deposits : Other	3 091 327
Other Creditors	9 550 426
Employee Benefits / Accruals	22 058 923
Payments Received in Advance i.r.o. Service Debtors	13 254 672
	<u>191 950 932</u>

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

7. Unspent Conditional Grants and Receipts

Department of Housing	14 471 297
Disaster Recovery Grant (DRG)	-
Expanded Public Works Programme (EPWP)	-
Financial Management Grant (FMG)	-
Housing Accreditation	2 838 520
Integrated National Electricity Programme (INEP)	-
Municipal Demarcation Transition Grant (MDTG)	-
Municipal Infrastructure Grant (MIG)	-
Museum Subsidy	-
Provincialisation of Libraries	-
Recapitalisation of Libraries	-
Workstudy Exercise at Merged Municipalities Grant	-
Other Grants	7 800 537
	<u>25 110 354</u>

8. VAT Receivable

16 435 376

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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30 June 2017

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9. PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value	Infrastructure	Community	Other	Land	Total
	R	R	R	R	R
Carrying values at 9 August 2016	887 498 858	189 348 167	160 863 875	237 512 018	1 476 222 918
Cost	1 732 867 907	288 601 239	249 972 312	235 492 018	2 506 933 476
Capital under Construction	32 222 411	44 175 089	3 297 298	2 020 000	81 714 807
Accumulated impairment	(3 534 137)	(1 558 728)	(1 526 640)	-	(6 619 505)
Accumulated depreciation	(874 057 323)	(141 869 444)	(90 879 095)	-	(1 106 805 861)
Acquisitions	185 595 853	48 166 370	11 686 570	2 020 000	247 468 794
Capital under Construction	(29 631 404)	(13 574 501)	(3 297 298)	(2 020 000)	(48 523 202)
Depreciation	(77 374 447)	(16 086 421)	(44 262 495)	-	(137 723 363)
Impairment	(24 773 254)	(5 589 347)	(22 167)	-	(30 384 768)
Carrying value of disposals	(1 348 528)	-	(1 519 277)	(1 988 000)	(4 855 805)
Cost/revaluation	(2 523 586)	-	(4 190 566)	(1 988 000)	(8 702 151)
Accumulated depreciation	1 175 057	-	2 671 289	-	3 846 346
Carrying values at 30 June 2017	939 967 078	202 264 268	123 449 210	235 524 018	1 501 204 573
Cost	1 915 940 175	336 767 610	257 468 317	235 524 018	2 745 700 118
Capital under Construction	2 591 008	30 600 598	-	-	33 191 605
Accumulated impairment	(28 307 391)	(7 148 075)	(1 548 807)	-	(37 004 272)
Accumulated depreciation	(950 256 713)	(157 955 865)	(132 470 300)	-	(1 240 682 878)

Refer to Appendix B for more detail on property, plant and equipment.

Infrastructure Assets and Community Assets

Physical verification and valuation

- Infrastructure assets were physically verified during the 2016/2017 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.

Capital Under Construction

There are currently 6 projects listed as Capital Under Construction as at 30 June 2017, however the 2 projects listed below are delayed or taking longer than expected to complete:

- Construction of the Ezakheni Sports Complex : Amount disclosed in PPE - R 20 724 611

This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.

- Emnambithi Indoor Sports Complex : Amount disclosed in PPE - R 5 115 727

This is a longer term project and the planning and study phase of this project has been completed.

Repairs and Maintenance

Repairs and maintenance are costs related to the repair and maintenance of Council owned Property, Plant and Equipment during the period.

Included in repairs and maintenance are the following:

Payments to service providers - Contracted Services	11 481 852
Materials used from Inventory - General Expenses - Consumable Stores	3 528 016
Employee costs charged to repairs and maintenance - Remuneration of Employees	18 325 058
Transport costs charged to repairs and maintenance - General Expenses	3 016 372
	36 351 298

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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10. Intangible Assets

30 June 2017

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	2 307 035	792 422	-	-	3 099 457
Total	2 348 658	792 422	-	-	3 141 080
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(2 052 064)	(261 280)	-	-	(2 313 344)
Total	(2 052 064)	(261 280)	-	-	(2 313 344)
Carrying Value	296 594	531 141	-	-	827 735

Intangible assets disclosed relate to computer software and to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

11. Investment Properties

30 June 2017

	Opening Balance R	Additions R	Fair Value Adjustment / Impairment R	Transfers / Disposals R	Total R
Cost	125 502 179	-	76 734 628	(356 000)	201 880 806
Total	125 502 179	-	76 734 628	(356 000)	201 880 806
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	125 502 179	-	76 734 628	(356 000)	201 880 806

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 201 880 806. Investment properties have been valued in accordance with the municipal valuation roll and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2017. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Investment Property valued at R 7 067 000 was rented / leased during the period and rental income of R 136 506 was recognised and disclosed in the Statement of Financial Performance as Rental of facilities and equipment.

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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12. Heritage Assets

30 June 2017

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Buildings	15 277 000	-	-	-	15 277 000
Other	1 774 512	-	-	-	1 774 512
Total	17 051 512				17 051 512
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	17 051 512	-	-	-	17 051 512

The Municipality accounts for Heritage Assets under GRAP 103.

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses. These assets were assessed for impairment during the 2016/2017 financial year.

13. Self-Insurance Fund

Opening balance	12 436 552
Contributions / Interest	1 656 763
Insurance Claims processed	(642 955)
	13 450 360

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

14. Non-current Receivables from Exchange Transactions

State Housing Selling Schemes	15 414
	15 414

15. Inventories

Unsold properties and assets held for resale	23 078 462
Consumable Stores	13 269 818
Inventory Assets	2 600 977
	38 949 257

Notes to the Financial Statements

30 June 2017
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16. Trade and Other Receivables from Exchange Transactions

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	36 545 276	(7 811 957)	28 733 319
Refuse	25 046 946	(23 276 019)	1 770 928
Housing Debtors	1 753 533	(1 637 955)	115 579
	63 345 755	(32 725 930)	30 619 826

Electricity : Ageing

Current (0 - 30 days)	25 512 718
31 - 60 Days	2 165 217
61 - 90 Days	423 478
91 - 120 Days	847 680
121+ Days	7 596 183
	36 545 276

Refuse : Ageing

Current (0 - 30 days)	(7 679)
31 - 60 Days	1 324 041
61 - 90 Days	1 164 434
91 - 120 Days	1 257 778
121+ Days	21 308 372
	25 046 946

Housing : Ageing

Current (0 - 30 days)	33 386
31 - 60 Days	28 204
61 - 90 Days	27 168
91 - 120 Days	26 821
121+ Days	1 637 955
	1 753 533

Reconciliation of the doubtful debt provision

Balance at beginning of the period	21 200 249
Contributions to provision	16 458 347
Doubtful debts written off against provision	(4 932 666)
	32 725 930

Trade and other receivables from exchange transactions impaired

As of 30 June 2017, trade and other receivables of R 62 863 973 were impaired and provided for.
The amount of the provision was R 32 725 930 as at 30 June 2017.
The ageing of these receivables is as follows:

31 - 60 Days	3 044 706
61 - 90 Days	1 398 009
91 - 120 Days	1 845 696
121+ Days	26 437 519
	32 725 930

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable.
Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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17. Other Receivables from Non-Exchange Transactions

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Rates	172 492 175	(113 989 456)	58 502 719
Vat Service Debtors	8 667 795	-	8 667 795
Legal Fees - Debtors	449 910	(425 545)	24 365
Credit Control Costs - Debtors	151 352	(138 302)	13 049
Traffic Fines	37 748 161	(17 167 263)	20 580 898
Receivables - Penalties / Interest	15 469 865	(8 566 380)	6 903 486
Sundry Debtors	15 096 261	(4 150 578)	10 945 683
	250 075 520	(144 437 525)	105 637 995

Rates : Ageing

Current (0 - 30 days)	857 421
31 - 60 Days	5 247 866
61 - 90 Days	4 135 005
91 - 120 Days	4 772 225
121+ Days	157 479 658
	172 492 175

Reconciliation of the doubtful debt provision

Balance at beginning of the year	111 831 572
Contributions to provision	32 942 017
Doubtful debts written off against provision	(336 064)
	144 437 525

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2017, trade and other receivables of R 249 199 687 were impaired and provided for. The amount of the provision was R 144 437 525 as at 30 June 2017. The ageing of these receivables is as follows:

31 - 60 Days	3 031 040
61 - 90 Days	2 388 278
91 - 120 Days	2 756 321
121+ Days	136 261 886
	144 437 525

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns, where applicable.

18. Investments

Short-Term Investments	
- ABSA	10 094 315
- Investec	10 094 513
- Standard Bank	10 094 623
	30 283 451

Notes to the Financial Statements

30 June 2017
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19. Cash and Cash Equivalents

The Municipality has the following call deposit bank accounts :-

General Call Account

ABSA Bank - Public Sector Banking

Account Number 9207051716

Bank statement balance at end of period 71 347 894

Department of Housing Grants Call Account

ABSA Bank - Public Sector Banking

Account Number 9207052314

Bank statement balance at end of period 15 633 297

Grant Funds Call Account

ABSA Bank - Public Sector Banking

Account Number 9207054081

Bank statement balance at end of period 66 059 697

Ladysmith Black Mambazo Call Account

ABSA Bank - Public Sector Banking

Account Number 9236410696

Bank statement balance at end of period 1 758 015

Self-Insurance Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9251267674

Bank statement balance at end of period 13 471 757

Housing Operating Call Account

ABSA Bank - Public Sector Banking

Account Number 9274469611

Bank statement balance at end of period 25 263 421

Housing Capacity Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9285122301

Bank statement balance at end of period 2 896 008

Disaster Recovery Grant Call Account

ABSA Bank - Public Sector Banking

Account Number 9305740716

Bank statement balance at end of period 29 339 016

225 769 104

The Municipality has the following primary bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking

Account Number 4071756088

Cash book balance at beginning of period 142 529 312

Cash book balance at end of period 6 155 304

Bank statement balance at beginning of period 160 035 382

Bank statement balance at end of period 30 463 901

Cash and cash equivalents consist of:

Short-term Investments 30 283 451

Call deposits 225 769 104

Bank balance and cash 6 155 304

262 207 859

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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20. Property Rates

Actual	
Residential	67 000 173
Industrial / Commercial / Business	31 708 383
Agriculture	2 577 902
Vacant Land	6 881 011
Game Hunting / Eco-Tourism	1 062 573
State	10 414 500
Other	-
Industrial Estate Serviced By Agent	1 887 818
Industrial Estate Serviced By Owner	460 722
	121 993 082
Less: Revenue Foregone	(230 855)
Total Assessment Rates	121 762 227

R'000

Valuations	
Residential & Bed and Breakfast	6 614 784
Industrial / Commercial / Business	1 579 777
Agriculture	985 028
Public Service Infrastructure	15 686
Vacant Land	163 868
Rural Residential	304 947
Game Hunting / Eco-Tourism	126 360
Municipal Domestic	197 391
State	1 326 035
Land Reform < 10 Years	129 370
Non Profit Organisations	70 037
Religious	193 140
Industrial Estate Serviced By Agent	161 729
Industrial Estate Serviced By Owner	39 470
Ingonyama Trust	18 440
Municipal Vacant Land	125 145
Public Open Spaces	6 058
Other	12 219
Total Property Valuations	12 069 484

Valuation on land and buildings is performed every four years. The last valuation came into effect on 1 July 2013. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation	Rebate
Residential	R 0.01238	R 15 000	-
Residential - Indaka	R 0.01290	R 135 000	-
Industrial/Commercial/Business	R 0.02218	-	-
Industrial/Commercial/Business - Indaka	R 0.01939	-	-
Agriculture	R 0.00307	-	-
Agriculture - Indaka	R 0.00307	-	-
Vacant Land	R 0.05136	-	-
Vacant Land - Indaka	R 0.01520	-	-
Game Hunting / Eco-Tourism	R 0.00925	-	-
State	R 0.02284	-	-
PSI - Indaka	R 0.00307	30%	20%
Industrial Estate	R 0.01284	-	-
Public Service Purposes - Indaka	R 0.00307	-	-

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2017.

Notes to the Financial Statements

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21. Service Charges

Electricity	278 318 343
Refuse removal	19 769 680
	<u>298 088 023</u>

22. Government Grants and Subsidies

Disaster Recovery Grant (DRG)	50 000 000
Equitable Share	153 116 000
Expanded Public Works Programme (EPWP)	4 710 815
Financial Management Grant (FMG)	3 408 398
Housing Accreditation	356 141
Integrated National Electricity Programme (INEP)	-
Municipal Demarcation Transition Grant (MDTG)	9 714 000
Municipal Infrastructure Grant (MIG)	70 353 000
Museum Subsidy	175 000
Provincialisation of Libraries	4 035 000
Recapitalisation of Libraries	738 000
Workstudy Exercise at Merged Municipalities Grant	700 000
Other Grants	231 719
	<u>297 538 072</u>

The Municipality received INEP funding for Electrification Projects which are in the Eskom serviced areas. The grant utilised in the amount of R 11 617 960 is not recognised in the Statement of Financial Performance, as the projects are carried out on behalf of Eskom.

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All residents may apply for indigency in terms of the Municipality's Indigent Policy.

22.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of period	-
Current year receipts	70 353 000
Conditions met - transferred to revenue (Other)	<u>(70 353 000)</u>
Conditions still to be met - transferred to liabilities	-

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

22.3 Department of Housing

Balance unspent at beginning of period	14 471 297
Current year receipts	-
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities	<u>14 471 297</u>

This grant is utilised to construct houses as part of the upgrading of informal settlement areas.

22.4 Museum subsidy

Balance unspent at beginning of period	-
Current year receipts	175 000
Conditions met - transferred to revenue	<u>(175 000)</u>
Conditions still to be met - transferred to liabilities	-

This grant is utilised to subsidise expenses incurred solely for the Museums.

22.5 Financial Management Grant (FMG)

Balance unspent at beginning of period	(41 602)
Current year receipts	3 450 000
Conditions met - transferred to revenue	<u>(3 408 398)</u>
Conditions still to be met - transferred to liabilities	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

Alfred Duma Local Municipality

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22. Government Grants and Subsidies (Continued)

22.6 Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of period	-
Current year receipts	9 714 000
Conditions met - transferred to revenue	(9 714 000)
Conditions still to be met - transferred to liabilities	-

This grant is utilised for processes and systems required for the merger of the two municipalities

22.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of period	117 960
Current year receipts	11 500 000
Conditions met	(11 617 960)
Conditions still to be met - transferred to liabilities	-

This grant is utilised for electricity connections to households in various areas.

The grant utilised in the amount of R 11 617 960 is not transferred to revenue, as the projects are carried out on behalf of Eskom.

22.8 Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of period	(195 185)
Current year receipts	4 906 000
Conditions met - transferred to revenue	(4 710 815)
Conditions still to be met - transferred to liabilities	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment.

This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

22.9 Disaster Recovery Grant (DRG)

Balance unspent at beginning of period	(517 198)
Current year receipts	50 517 198
Conditions met - transferred to revenue	(50 000 000)
Conditions still to be met - transferred to liabilities / debtor raised for spending in advance	-

The Disaster Recovery Grant is received for storm damages that occurred in the Municipal Area to repair bridges, roads and electrical infrastructure.

22.10 Housing Accreditation

Balance unspent at beginning of period	1 180 812
Current year receipts	2 013 848
Conditions met - transferred to revenue	(356 141)
Conditions still to be met - transferred to liabilities	2 838 520

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

22.11 Provincialisation of Libraries

Balance unspent at beginning of period	-
Current year receipts	4 035 000
Conditions met - transferred to revenue	(4 035 000)
Conditions still to be met - transferred to liabilities	-

This grant is utilised to subsidise expenditure and upgrading of Libraries.

22.12 Recapitalisation of Libraries

Balance unspent at beginning of period	-
Current year receipts	738 000
Conditions met - transferred to revenue	(738 000)
Conditions still to be met - transferred to liabilities	-

This grant is utilised for the remuneration of Cyber Cadets in Libraries.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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22. Government Grants and Subsidies (Continued)

22.13 Workstudy Exercise Grant

Balance unspent at beginning of period	-
Current year receipts	700 000
Conditions met - transferred to revenue	(700 000)
Conditions still to be met - transferred to liabilities	-

22.14 Other Grants

Balance unspent at beginning of period	3 232 256
Current year receipts	4 800 000
Conditions met - transferred to revenue	(231 719)
Conditions still to be met - transferred to liabilities	7 800 537

The Municipality received grants for Records Management, Translation and Promulgation of By-Laws, Development, Planning and Shared Services, Scheme Support Program (LUMS), Ladysmith Black Mambazo Academy and for the Ladysmith Airport during this period.

22.15 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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23. Employee Related Costs

Salaries and Allowances	143 065 091
Contributions for UIF, pensions, medical aids, group life and bargaining council	28 431 279
Travel allowances	13 449 990
Housing benefits and other allowances	3 547 205
Overtime & standby payments	7 113 317
Job Creation	16 875 866
	<u>212 482 749</u>

There were no advances or loans made to employees.

Remuneration of the Municipal Manager : Mr M P Khathide

Salaries	1 222 370
Allowances - Subsistence & Travelling	27 610
Performance Bonus	113 207
	<u>1 363 188</u>

Remuneration of the Chief Financial Officer : Mr M Hloba

Salaries	1 142 154
Allowances - Subsistence & Travelling	30 554
Performance Bonus	93 890
	<u>1 266 598</u>

Remuneration of the Executive Director: Corporate Services : Ms SS Ngiba

Salaries	1 005 924
Allowances - Subsistence & Travelling	24 469
Performance Bonus	77 700
	<u>1 108 094</u>

Remuneration of the Executive Director: Community Services : Mr P B B Simelane

Salaries	1 010 072
Allowances - Subsistence & Travelling	10 972
Performance Bonus	93 392
	<u>1 114 436</u>

Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr P S Mkhize

Salaries	1 033 172
Allowances - Acting and Subsistence & Travelling	47 959
Performance Bonus	83 015
	<u>1 164 146</u>

Remuneration of the Executive Director: Public Works and Basic Services : Mr S O Hlatshwayo

Salaries	1 119 433
Allowances - Acting and Subsistence & Travelling	83 368
Performance Bonus	31 297
	<u>1 234 098</u>

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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24. Remuneration of Councillors

Mayor	738 065
Deputy Mayor	587 470
Speaker	594 531
Chief Whip	385 935
MPAC Chairperson	457 877
EXCO Committee Members	2 191 313
Councillors	14 797 157
	19 752 349

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker have the use of Council-owned vehicles for official duties.

The Mayor, Deputy Mayor and other Councillors have bodyguards at the cost of Council.

25. Finance Costs

Long-term liabilities	499 466
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26. Bulk Purchases

Electricity - Eskom	178 560 755
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Distribution Losses : Electricity

KWh

Value of Purchases at Purchase Price	239 241 846	142 027 759
Less : Sales at Purchase Price	(218 505 924)	(129 717 719)
Total Losses	20 735 922	12 310 039

Technical Losses	11 962 092	7 190 415
Non-Technical Losses	8 773 830	5 119 624
Total Losses	20 735 922	12 310 039

Percentage of Total Loss	8.67%	8.67%
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The value of loss is calculated using the bulk purchase price.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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27. Contracted Services

Internal Audit	632 545
IT System and Support	9 323 315
Payment Services	497 658
Refuse Removal	1 157 080
Security Services	15 365 276
Other	708 500
	<u>27 684 374</u>

28. General Expenses

Included in general expenses are the following:

Advertising	726 497
Audit Committee	249 045
Audit Fees	6 022 536
Bank Charges	1 059 973
Bulk Discounts	563 590
Conferences & Delegations	1 898 512
Consultants	14 794 619
Consumable Stores - Maintenance of Assets	3 528 016
Contractors - Maintenance of Assets	11 481 852
Disconnections & Reconnections	378 107
Electricity - Municipal Premises	4 199 863
Electricity - Streetlighting	4 437 757
Emergency Relief Fund	538 421
Entertainment Expenses	129 350
Events / Programmes	13 523 656
Indigency - Electricity / Alternative Energy	7 541 539
Insurance	3 582 255
Integrated Development Plan	607 495
Interest Paid	581 436
Legal Expenses	1 118 203
Licence Fees	797 545
Local Economic Development	1 165 651
Materials & Sundries	641 218
Funeral Assistance	120 667
Postage	1 640 908
Post Retirement Benefits	2 721 125
Printing & Stationery	1 964 621
Protective Clothing	1 741 062
Publicity	660 899
Public Meetings	533 194
Refurbishment - NER Requirements	1 917 666
Rental - Office Machines	441 489
SARS - Skills Development Levy	1 855 565
Telephone & Cellphone Costs	4 142 179
Training Staff & Councillors	2 081 654
Transitional Costs / Organograms	900 000
Valuation Costs	2 329 864
Vehicle / Transport Costs	19 878 454
Ward Committees	3 136 617
Water / Sanitation	1 580 732
Youth Development Programme	1 695 899
Other General Expenses	3 529 015
	<u>132 438 747</u>

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

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29. Cash Generated By Operations

Surplus/(Deficit) for the year	56 056 880
Adjustment for:-	
Adjustments in Respect of Previous Years & Appropriations	18 660 556
Depreciation / Amortisation	137 984 643
(Profit)/Loss on disposal of assets	2 164 202
Contribution to long service awards provision	111 607
Contribution to performance bonus provision	714 010
Contribution to landfill site rehabilitation	13 516 542
Contribution to retirement benefit obligation	1 412 907
(Gain)/Loss on fair value adjustment and impairment	(76 734 628)
Operating surplus before working capital changes:	153 886 720
(Increase)/decrease in inventories	(5 162 770)
(Increase)/decrease in exchange debtors	6 455 389
(Increase)/decrease in non-exchange debtors	4 446 643
(Increase)/decrease in non-current receivables	(1 400)
(Decrease)/increase in unspent conditional grants and receipts	2 680 979
(Decrease)/increase in creditors	53 580 959
(Decrease)/increase in deposits	1 674 339
(Increase)/decrease in VAT Receivable	(1 383 777)
	216 177 082

30. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

30.1 Unauthorised Expenditure

Opening balance	424 706
Unauthorised expenditure current year	124 771 378
Approved by council or condoned	-
Transfer to receivables for recovery - not condoned	-
Unauthorised expenditure awaiting authorisation	125 196 084
Depreciation and Impairment Cost - Former Indaka Municipality	424 706
Payment ordered by Court to Service Provider - Former Indaka Municipality	1 646 343
Bad debts contribution to receivables	16 076 097
Depreciation	67 993 041
Contracted services	4 256 267
Impairment cost of PPE	28 619 592
Loss on disposal of PPE	2 164 202
Inventories: Write-down to net realisable value	605 454
General expenses	3 410 382
	125 196 084

Council condoned the Unauthorised Expenditure of R 2 071 049 at a Council meeting held on 27 July 2017.

30.2 Irregular Expenditure

Opening balance	142 651 484
Irregular expenditure current year	25 829 795
Written Off	-
Transfer to receivables for recovery - not condoned	-
Irregular expenditure awaiting authorisation	168 481 279

Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.

- Non-compliance with the PPPFA Regulation	1 017 420
- Persons in the service of the state	961 161
- Non-compliance with the SCM Regulations	166 502 698
Written Off	-
	168 481 279

30.3 Fruitless and Wasteful Expenditure

Opening balance	6 317 223
Fruitless and Wasteful expenditure current year	581 297
Approved by council or condoned	-
Recovered	-
Transfer to receivables for recovery - not condoned	-
Fruitless and Wasteful expenditure awaiting authorisation	6 898 520

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Notes to the Financial Statements

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31. Additional Disclosures in Terms of Municipal Finance Management Act

31.1 Contributions to organised local government

Opening balance	-
Council subscriptions	-
Amount paid - current year	-
Amount paid - previous years	-
Balance unpaid (included in creditors)	-

The contribution for the 2016/2017 financial year was paid in July 2016 under the previous Municipality.

31.2 Audit Fees

Opening balance	-
Current year audit fee	6 859 795
Amount paid - current year	(6 859 795)
Amount paid - previous years	-
Balance unpaid (included in creditors)	-

31.3 VAT

All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE, SDL and UIF

Opening balance	-
Current year payroll deductions	28 441 299
Amount paid - current year	(28 441 299)
Amount paid - previous years	-
Balance unpaid (included in creditors)	-

31.5 Pension and Medical Aid Deductions

Opening balance	-
Current year payroll deductions and Council Contributions	43 220 364
Amount paid - current year	(43 220 364)
Amount paid - previous years	-
Balance unpaid (included in creditors)	-

31.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be condoned by the Municipal Manager and noted by Council.

Opening balance	5 887 514
Deviations - current year	750 151
Total amount condoned	(754 940)
Deviations awaiting authorisation	5 882 725

31.7 Transactions with Related Parties

W Asmal	1 079 200
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The above employee is related to the director of Mivusa Trading (Pty) Ltd, of which the Municipality conducted business with during the financial period.

Alfred Duma Local Municipality

Financial Statements for the financial year ended 30 June 2017

Notes to the Financial Statements

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32. Capital Commitments

32.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for

Infrastructure

Community

Other

-

-

-

- Approved and contracted for

Infrastructure

Community

Other

9 765 729

1 680

-

9 767 409

This expenditure will be financed from:

- External Loans

- Government Grants

- Own Resources

-

9 767 409

-

9 767 409

32.2 Operating leases - as lessor

Minimum lease payments due

Within one year

In the second to fifth year inclusive

After five years

454 175

1 918 523

1 205 850

3 578 547

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

33. Other Income

Included in other income are the following:

Actuarial Gain

Fees : Brigade Service

Fees : Building Plans

Fees : Burial

Fees : Sewerage Plans

Fees : Photocopies

Legal Fees

Licences : Trade

Notice Processing Cost

Rates Clearance Certificates

Reconnection Fees : Non Payment

Sale of Plots - Cemetery

Sale of Livestock

Sale of Tender Documents

Sundries & Other

2 350 835

234 238

139 582

135 126

231 660

132 068

99 382

113 248

93 307

209 502

437 758

78 030

109 956

738 901

1 295 238

6 398 831

Notes to the Financial Statements

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34. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012, which is subject to change.

Natal Joint Municipal Pension Fund (Retirement)

The total rate of contribution by the municipality, including the surcharge, is 34,12% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012.

Natal Joint Municipal Provident Fund

The total rate of contribution by the municipality of pensionable salaries varies with 9,75%, 13,65% and 18,00% of pensionable salaries.

35. Councillor's Arrear Consumer Accounts

No Councillor(s) had arrear accounts over 90 days during the financial period ending 30 June 2017.

36. Related Parties

Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively to the Financial Statements.

Notes to the Financial Statements

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37. Risk Management**Financial Risk Management**

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

Alfred Duma Local Municipality

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38. Contingencies

38.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation.
The matter is being defended and is at the pleading stage and the outcome is awaited.
Case No. 11653/2015

500 000

The Municipality was sued for motor vehicle damages.
The Municipality is defending the claim.
Case No. 1332/2015

34 863

The Municipality was sued for motor vehicle damages.
The plaintiff has filed for judgement and the court has not granted it as yet.
Case No. 520/2016

21 010

The Municipality was sued for damages involving a minor falling into a trench.
The Municipality is defending the claim and the matter has not been set down for trial as yet.
Case No. 9222/2010

985 000

The Municipality was sued for outstanding payments to a service provider.
The Municipality is defending the claim and the pleading process is at discovery stage.
Case No. 6040/2015

1 900 000

The Municipality was sued for damages to private property by a tree situation on municipal property.
The Municipality is defending the claim.
Case No. 217/2017

6 385

3 447 258

38.2 Contingent Assets

The Municipality identified the following contingent asset:

A case of alleged fraudulent transactions and theft of money, during the month of January 2016 and prior months, by a Cashier in the Revenue Section in the Department of Finance, had been detected and reported.
A case of fraud was opened at the South African Police Services on 3 May 2016 as per Case No. 32/5/2016. The South African Police Services has since charged the employee with fraud and the case is currently under investigation.

1 465 181

1 465 181

Notes to the Financial Statements

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39. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 10 August 2016 to 30 June 2017.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

40. Change in Accounting Estimate

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in accordance with the Standard of GRAP on accounting policies, changes in accounting estimates and errors.

The Municipality has assessed the remaining useful lives of property, plant and equipment which resulted in a change of certain asset's remaining useful lives.

The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 73 817 744 for the current period.

Infrastructure Assets	31 036 302
Community Assets	27 378 701
Other Assets	15 402 741
	<u>73 817 744</u>

41. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment	
Recoverable amounts of property, plant and equipment	1 501 204 573
Provision for rehabilitation of landfill site (discount rate, no. of years, amount of cash flows)	45 388 070
Present value of post retirement benefit obligation	29 897 013
Present value of long service awards	8 464 580
Provision for performance bonus	700 141
Provision for doubtful debts	177 163 455
Impairment of assets	30 384 768
Investment property	201 880 806
Inventory assets held for sale	23 078 462

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	30 384 768
Provisions	223 251 666

42. Take on Balances of the Alfred Duma Local Municipality on the date of incorporation being the 10th of August 2016

	TAKE ON BALANCE	EMNAMBITHI / LADYSMITH	INDAKA
	R	R	R
Assets			
Current Assets			
Inventories	33 786 487	33 718 257	68 230
Trade and Other Receivables from Exchange Transactions	37 075 215	36 903 471	171 744
Other Receivables from Non-Exchange Transactions	110 086 038	104 961 838	5 124 200
VAT Receivable	15 051 599	8 918 678	6 132 921
Short-Term Investments	18 472 501	18 472 501	
Call Investment Deposits	72 615 537	72 615 537	
Cash and Cash Equivalents	142 529 312	11 860 705	130 668 607
	429 616 689	287 450 987	142 165 702
Non-Current Assets			
Property, Plant and Equipment	1 257 108 395	1 069 258 925	187 849 470
Intangible Assets	286 624	235 092	51 532
Investment Property	80 443 478	80 196 999	246 479
Heritage Assets	15 302 512	15 302 512	-
Non-Current Receivables from Exchange Transactions	14 014	14 014	-
	1 353 155 023	1 165 007 542	188 147 481
Total Assets	1 782 771 712	1 452 458 529	330 313 183
Current Liabilities			
Consumer Deposits	9 004 124	9 004 124	-
Provisions	9 261 557	8 380 837	880 720
Retirement Benefit Obligations	-	-	-
Trade and Other Payables from Exchange Transactions	138 369 973	126 439 288	11 930 685
Unspent Conditional Grants and Receipts	22 429 375	19 434 648	2 994 727
Current Portion of Long-term Loans	553 118	302 745	250 373
	179 618 147	163 561 642	16 056 505
Non-Current Liabilities			
Long-term Loans	7 182 974	4 111 003	3 071 971
Provisions	32 596 528	30 072 155	2 524 373
Retirement Benefit Obligations	31 309 920	31 309 920	
	71 089 422	65 493 078	5 596 344
Total Liabilities	250 707 569	229 054 720	21 652 849
Net Assets	1 532 064 143	1 223 403 809	308 660 334
Net Assets			
Housing Development Fund	26 681 074	25 963 700	717 374
Accumulated Surplus	1 505 383 069	1 197 440 109	307 942 960
Total Net Assets	1 532 064 143	1 223 403 809	308 660 334

Alfred Duma Local Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017 (Unaudited)

EXTERNAL LOANS				Balance at 10 August 2016 R	Received R	Redeemed or Written Off R	Balance at 30 June 2017 R
LONG-TERM LOANS							
Absa Bank - Tsakane Electrification	Interest Rate	Loan Ref.	Redeemable				
	9.10%	A1	Feb 2026	4 413 748	-	277 050	4 136 698
DBSA - Indaka	Interest Rate	Loan Ref.	Redeemable				
	5.00%	A2	Sept 2028	3 322 344	-	176 596	3 145 748
TOTAL EXTERNAL LOANS				7 736 092	-	453 646	7 282 446

Alfred Duma Local Municipality
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017 (Unaudited)

	Cost				Capital Under Construction				Accumulated Depreciation				Impairment			Carrying Value
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Closing Balance	
Infrastructure																
Electricity	345 311 578	17 052 409	-1 063 553	361 300 435	4 021 601	13 030 808	-17 052 409	-	133 302 658	6 316 989	-455 579	139 164 068	2 881 918	131 499	3 013 418	219 122 949
Roads	1 145 803 291	148 853 765	-	1 294 657 056	23 182 369	129 262 403	-148 853 765	2 591 008	634 423 786	67 842 457	-	702 266 243	-	24 652 340	24 652 340	570 329 481
Street Furniture	10 397 569	660 020	-1 460 033	9 597 556	572 164	-	-572 164	-	5 166 583	103 186	-719 478	4 550 291	652 219	-10 585	641 634	4 405 832
Solid Waste	33 276 285	16 858 446	-	50 132 732	3 339 904	-	-3 339 904	-	-	-	-	-	-	-	-	50 132 732
Stormwater	198 079 184	2 173 212	-	200 252 396	1 108 373	1 066 839	-2 173 212	-	101 164 296	3 111 815	-	104 276 111	-	-	-	85 976 285
	1 732 867 907	185 695 863	-2 623 586	1 915 940 176	32 222 411	142 360 051	-171 981 464	2 691 008	874 057 323	77 374 447	-1 175 057	950 266 713	3 534 137	24 773 254	28 307 391	939 967 078
Community Assets																
Buildings	187 991 984	40 968 638	-	228 960 622	37 751 386	33 817 849	-40 968 638	30 600 598	92 528 606	9 646 368	-	102 174 976	-	-	-	157 386 244
Recreation Facilities - Parks	100 609 255	7 197 732	-	107 806 987	6 423 713	774 020	-7 197 732	-	49 340 637	6 440 032	-	55 780 669	1 558 728	5 589 347	7 148 075	44 878 024
	288 601 239	48 166 370	-	336 767 610	44 175 099	34 591 869	-48 166 370	30 600 598	141 869 444	16 086 421	-	157 965 645	1 558 728	5 589 347	7 148 075	202 264 268
Other Assets																
Buildings	116 973 266	4 101 828	-	121 075 194	2 683 263	1 418 665	-4 101 828	-	54 462 463	6 840 782	-	61 303 245	-	-	-	59 771 949
Computer Equipment	15 631 037	2 169 879	-298 613	17 722 303	-	-	-	-	7 910 149	2 650 466	-220 948	10 349 667	18 514	22 167	40 881	7 331 956
Furniture & Office Equipment	18 061 452	187 970	-588 771	17 660 651	-	-	-	-	9 900 358	1 651 514	-588 771	10 963 100	118 628	-	116 628	8 580 922
Motor Vehicles	70 049 542	912 704	-2 177 875	68 784 370	-	-	-	-	2 070 480	31 080 101	-1 027 866	32 122 714	1 391 499	-	1 391 498	35 270 158
Plant & Equipment	29 057 016	4 294 089	-1 125 308	32 225 800	614 035	-	-614 035	-	16 535 646	2 029 631	-833 703	17 731 574	-	-	-	14 404 226
	249 972 312	11 686 570	-4 190 566	257 468 317	3 297 298	1 418 665	-4 715 963	-	90 879 095	44 262 495	-2 871 289	132 470 300	1 526 640	22 167	1 548 807	123 449 210
Land Assets																
Land with Buildings	10 437 000	-	-	10 437 000	-	-	-	-	-	-	-	-	-	-	-	10 437 000
Vacant Land	225 055 018	2 020 000	-1 988 000	225 087 018	2 020 000	-	-2 020 000	-	-	-	-	-	-	-	-	225 087 018
	235 492 018	2 020 000	-1 988 000	235 524 018	2 020 000	-	-2 020 000	-	-	-	-	-	-	-	-	235 524 018
Total	2 506 933 476	247 468 794	-8 702 151	2 745 700 118	81 714 807	178 370 586	-226 893 788	33 191 605	1 106 805 881	137 723 363	-3 846 346	1 240 682 878	6 619 505	30 384 768	37 004 272	1 501 204 573

Alfred Duma Local Municipality
APPENDIX C

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2017 (Unaudited)

REFER TO NOTE 39

Description By Nature	Budget 10 August 2016 to 30 June 2017 R	Budget Adjustments (i.e. s28 & s31 of the MFMA) R	Virement (i.e. Council Approved Policy) R	Approved Annual Budget 2017 R	Actual 10 August 2016 to 30 June 2017 R	% Variance R	Explanation of Significant Variances Actual versus Budget
Financial Performance							
Property Rates	128 010 104	5 690 317	-	133 700 421	121 762 227	91.07%	Ratepayers were not given an automatic indigency value on their properties during this period, and had to apply for indigency resulting in higher outstanding debt
Property Rates - Penalties & Collection Charges	5 058 570	-	-	5 058 570	12 746 779	251.98%	
Services Charges	294 721 080	5 711 645	-	300 432 725	298 088 023	99.22%	
Rental of Facilities and Equipment	2 380 957	-	-	2 380 957	2 374 644	99.73%	
Interest Earned - External Investments	7 493 750	6 824 382	-	14 318 132	15 029 028	104.97%	Unspent grant funds were invested and kept in call accounts to attract interest
Interest Earned - Outstanding Debtors	2 216 624	296 254	-	2 512 878	3 038 004	120.90%	Ratepayers were not given an automatic indigency value on their properties during this period, and had to apply for indigency resulting in higher outstanding debt on service charges, i.e. refuse
Fines	9 629 768	-	-	9 629 768	9 359 689	97.20%	
Licences and Permits	6 266 326	(501 212)	-	5 765 114	4 944 826	85.77%	
Transfers and Grants Recognised - Operational	117 167 183	80 902 783	-	198 069 966	170 206 555	85.93%	
Other Income and Profit on Fair Value Adjustments	4 984 714	(1 662 708)	-	3 322 006	83 133 459	2502.51%	Investment properties values were adjusted i.e. the new valuation roll
Total Revenue (Excl. Capital Transfers & Contributions)	577 929 076	97 261 461	-	675 190 537	720 683 234	106.74%	
Employee Related Costs	203 488 296	19 718 536	-	223 186 832	212 482 749	95.20%	
Remuneration of Councillors	15 738 604	5 301 494	-	21 040 098	19 752 349	93.88%	Ratepayers were not given an automatic indigency value on their properties during this period, and had to apply for indigency resulting in higher outstanding debt for which the debt had to be impaired accordingly
Bad Debts	21 527 500	11 796 767	-	33 324 267	49 400 365	148.24%	Change in estimates on PPE in terms of RUL, affected the current depreciation expense
Depreciation and Amortisation Expense	60 889 316	9 102 287	-	69 991 603	137 984 643	197.14%	
Finance Costs	355 681	199 875	-	555 556	499 466	89.90%	
Bulk Purchases	180 791 579	4 089 696	-	184 881 275	178 560 755	96.58%	ICT Infrastructure Support for the implementation of the new financial system and additional security services required for Councillors and Officials
Contracted Services	-	23 428 107	-	23 428 107	27 684 374	118.17%	Impairments on PPE were higher than anticipated
Impairment Loss	1 765 176	-	-	1 765 176	30 384 768	1721.34%	
Loss on Disposal of PPE	-	-	-	-	2 164 202	0.00%	
Inventories: Write-down to Net Realisable Value	-	-	-	-	605 454	0.00%	
Other Expenditure	123 733 677	5 294 688	-	129 028 365	132 438 747	102.64%	Donation of Assets to Eskom were not budgeted for as they were funded ex grants
Total Expenditure	608 289 829	78 931 451	-	687 201 280	791 957 872	115.24%	
Surplus/(Deficit)	(30 340 753)	18 330 011	-	(12 010 742)	(71 274 637)	593.42%	Budget on Capital Projects was not utilised by the previous Municipalities for allocation made in July 2016, resulting in more spending on already committed projects
Transfers Recognised - Capital	86 150 275	45 056 125	-	131 206 400	127 331 517	97.05%	
Contributions Recognised - Capital	-	-	-	-	-	0.00%	
Surplus/(Deficit) After Capital Transfers & Contributions	55 809 522	63 386 136	-	119 195 658	56 056 880	47.03%	
Capital Expenditure and Funds Sources							
Capital Expenditure							
Transfers Recognised - Capital	86 150 275	45 056 125	-	131 206 400	127 331 517	97.05%	Budget on Capital Projects was not utilised by the previous Municipalities for allocation made in July 2016, resulting in more spending on already committed projects
Public Contributions and Donations	-	-	-	-	-	0.00%	
Borrowing	-	-	-	-	-	0.00%	
Internally Generated Funds	26 659 308	79 790 431	-	106 449 739	58 206 357	54.68%	Underspending on own capital funding was as a result from prioritising grant funded projects to prevent underspending on grants for the financial period
Total Sources of Capital Funds	112 809 583	124 846 556	-	237 656 139	185 537 874	78.07%	

Alfred Duma Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Unaudited)

	10 August 2016 to 30 June 2017 Actual Income R	10 August 2016 to 30 June 2017 Actual Expenditure R	10 August 2016 to 30 June 2017 Surplus / (Deficit) R
Municipal Manager & Council	315 959 390	111 698 082	204 261 308
Corporate Services	700 000	20 458 554	-19 758 554
Community Services	72 235 839	153 126 840	-80 891 001
Finance	4 966 639	35 177 539	-30 210 899
Infrastructure & Services	452 881 575	443 328 930	9 552 645
Development, Planning & Human Settlement	1 271 307	28 167 927	-26 896 620
Total	848 014 751	791 957 872	56 056 879

Alfred Duma Local Municipality

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)

Name of Grants	Name of Organ of State	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		10 August 2016 to 30 June 2017 R	10 August 2016 to 30 June 2017 R	
Development, Planning and Shared Services	Dept of Economic Development	400 000	-	Applied for Rollover
Disaster Recovery Grant	National Government	50 000 000	50 000 000	Yes
Equitable Share	National Government	153 115 658	153 115 658	Yes
Expanded Public Works Programme	National Government	4 906 000	4 906 000	Yes
Housing Accreditation Funds	Dept of Human Settlement	1 930 120	357 262	Yes
Integrated National Electrification Programme	National Government	11 500 000	11 500 000	Yes
Ladysmith Airport	Dept of Economic Development	2 000 000	-	Applied for Rollover
Ladysmith Black Mambazo	Dept of Arts & Culture	1 000 000	-	Applied for Rollover
Municipal Demarcation Transition Grant	COGTA	9 714 000	9 714 000	Yes
Municipal Finance Management Grant	National Government	3 450 000	3 450 000	Yes
Municipal Infrastructure Grant	National Government	70 353 000	70 353 000	Yes
Museum Subsidy	Dept of Arts & Culture	175 000	175 000	Yes
Provincialisation of Libraries	Dept of Arts & Culture	4 035 000	4 035 000	Yes
Recapitalisation of Libraries	Dept of Arts & Culture	738 000	738 000	Yes
Records Management	COGTA	200 000	-	Applied for Rollover
Scheme Support Grant (LUMS)	COGTA	1 000 000	-	Applied for Rollover
Translation & Promulgation of By-Laws	COGTA	200 000	-	Applied for Rollover
Workstudy - Merged Municipalities	COGTA	700 000	700 000	Yes
		315 416 778	309 043 920	

